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Responding to a Suspected Illegal Act

I'm Denise Juvenal this is pleased to have the opportunity to comment on this consultation Responding to a Suspected Illegal Act. This is my individual commentary for IFAC - International Ethics Standards Board for Accountants.

Guide for Respondents

The IESBA welcomes comments on all matters addressed in the Exposure Draft. Comments are most helpful when they refer to specific paragraphs, include the reasons for the comments, and, where appropriate, make specific suggestions for any proposed changes to wording. When a respondent agrees with proposals in this Exposure Draft (especially those calling for change in current practice), it will be helpful for the IESBA to be made aware of this view.

Request for Specific Comments

The IESBA would welcome views on the following questions:

- 1. Do respondents agree that if a professional accountant identifies a suspected illegal act, and the accountant is unable to dispel the suspicion, the accountant should be required to discuss the matter with**

the appropriate level of management and then escalate the matter to the extent the response is not appropriate? If not, why not and what action should be taken?

Yes. The professional accountant can be identifies a suspected illegal act, but I have doubt in relation the responsibility of professional accountant for identifies illegal acts with development international standards, for example what do need for identify illegal act or fraud in the company?

The process actually is very complex, can be have problems in relation internal control and high quality of informations elaborated of results of process of globalization, transparency and responsibility, I don't know.

I suggest for the board, if agree that this point could be related with internal process, the professional need to be observed the internal control, audit services, risk of activities and principally if every operations are described in the reporting.

In this case, I think that is very important that IFAC-Board elaborated papers described this important process and development of new structure of financial reporting and auditing reporting, the organizations besides of knowledge that need to have for this process is fundamental that the regulators elaborated tools or workshops for discussed for don't have problems in the future.

So, I understand that identify fraud or illegal act depends of the organizations, professional accountant, government in relation laws specifics for this and the regulators, is very important to be integrated for this new decade. I suggest that contact local regulators for to have informations about specific laws in each country about this subject.¹

2. Do respondents agree that if the matter has not been appropriately addressed by the entity, a professional accountant should at least have a right to override confidentiality and disclose certain illegal acts to an appropriate authority?

Yes. I think that the entity and professional accountant need to be integrated in this process and I have doubt in relation the confidentiality and disclose certain

¹ <http://www.iosco.org/news/pdf/IOSCONEWS258.pdf>

illegal acts to an appropriate authority, I have doubt about this, but I understand that this matter has not been appropriately addressed by the entity.

In relation professional accountant for obligation to identify fraud, illegal acts or errors is very important that the organization identify this process with board of entity, principally when this aspect has relation with internal control, I don't know. I suggest observed the discussion of ESMA about statement practices.²

3. Do respondents agree that the threshold for reporting to an appropriate authority should be when the suspected illegal act is of such consequence that disclosure would be in the public interest? If not, why not and what should be the appropriate threshold?

No, public interest in relation the consequence for suspected illegal act, I have doubt about this, for me is very difficult understand the market process, if every suspected illegal act identified of audit firms or professional accountants in this process, can be occur problems for results of entities and regulators.

I think that this point is very important but need to be integrating a form and the process for don't has impact in the results of organizations and the proposal of the regulators. If, the regulators don't simplify this process, the organizations couldn't include information in the Integrated Reporting, I don't know. I observed that this point needs to be integrated with idea of the transparency, high quality and objectivity of informations.

Matters specific to professional accountants in public practice (Section 225 of the Code)

4. Do respondents agree that the standard for a professional accountant in public practice providing services to an audit client should differ from the standard for a professional accountant in public practice providing services to a client that is not an audit client? If not, why not?

No. I think that professional accountants in public practice need to be the same for activity for to attend the objective of the profession. I believe that used of the informations independent of audit client or not, the results cannot to be different.

² <http://www.esma.europa.eu/news/ESMA-issues-statement-forbearance-practices>

I understand that the professional need to be responsible in your activities, if not what happened if the professional makes consult services for client and audit services for other. This point is very complex, I suggest for the board if agree consult IOSCO³ and European Commission⁴ in relation this aspect, your discussions and results can be have direction of differences.

5. Do respondents agree that an auditor should be required to override confidentiality and disclose certain suspected illegal acts to an appropriate authority if the entity has not made adequate disclosure within a reasonable period of time after being advised to do so? If not, why not and what action should be taken?

Yes, I agree that an auditor should be required to override confidentiality and disclose certain suspected illegal acts to an appropriate authority if the entity has not made adequate disclosure, I suggest observed the response of FRC about ISA⁵, Audit Quality⁶ and Financial Instruments⁷ and G20 meeting⁸.

6. Do respondents agree that a professional accountant providing professional services to an audit client of the firm or a network firm should have the same obligation as an auditor? If not, why not and what action should be taken?

No. I think that is very important to be clear what's a auditor, because a professional accountant providing professional services to an audit client is auditor and I understand that need to have same obligations for audit services and principally the local regulators need to be have the list of organizations or personal that make this service, I think this.

7. Do respondents agree that the suspected illegal acts to be disclosed referred to in question 5 should be those that affect the client's financial

³ <http://www.iosco.org/library/speeches/pdf/20121210-Wright-David.pdf>

⁴ http://ec.europa.eu/internal_market/auditing/reform/index_en.htm

⁵ <http://www.frc.org.uk/Our-Work/Publications/Audit-and-Assurance-Team/Analysis-of-the-main-potential-changes-in-auditing.aspx>

⁶ <http://www.esma.europa.eu/news/ESMA-chair-Maijor-delivers-keynote-Audit-Quality-Symposium-Toronto?t=326&o=home>

⁷ <http://www.frc.org.uk/Our-Work/Publications/APB/Proposed-revision-of-Practice-Note-23.aspx>

⁸ <http://www.g20.org/events/>

reporting, and acts the subject matter of which falls within the expertise of the professional accountant? If not, why not and which suspected illegal acts should be disclosed?

I suggest observed the question 5 and 6, because some activities the professional accountant need to be knowledge, experience, registration for exercise this activity, I suggest contact the local regulators for this aspect.

8. Do respondents agree that a professional accountant providing professional services to a client that is not an audit client of the firm or a network firm who is unable to escalate the matter within the client should be required to disclose the suspected illegal act to the entity's external auditor, if any? If not, why not and what action should be taken?

Yes, the audit firms have experience for this aspect principally in relation the structure and development for training and expertise, but I think that the professional accountant need to be have knowledge for discussed this process together external auditor.

I think that some activities cannot to elaborate for professional accountant for attend specific laws in your countries, is very important to be clear what's the activities that professional accountant can be made in relation the financial reporting, financial instruments⁹ for example in the regulators, principally local regions.

9. Do respondents agree that a professional accountant providing professional services to a client that is not an audit client of the firm or a network firm should have a right to override confidentiality and disclose certain illegal acts to an appropriate authority and be expected to exercise this right? If not, why not and what action should be taken?

Yes, I agree that a professional accountant providing professional services to a client that is not audit client of the firm or a network firma should have a right to override confidentiality, observed the comments for questions numbers 7 and 8.

⁹ <http://www.iosco.org/news/pdf/IOSCONEWS260.pdf>

10. Do respondents agree that the suspected illegal acts to be disclosed referred to in question 9 should be those acts that relate to the subject matter of the professional services being provided by the professional accountant? If not, why not and which suspected illegal acts should be disclosed?

Yes, I think that subject matter of the professional services being provided by the professional accountant need to clear for don't have problems in relation the consultation, audit services, experience and risk of activity, if not the IFAC could be have problems in this aspect, principally in relation the inspection of activities in the regulators.

Matters specific to professional accountants in business (Section 360 of the Code)

11. Do respondents agree that a professional accountant in business who is unable to escalate the matter within the client or who has doubts about the integrity of management should be required to disclose the suspected illegal act to the entity's external auditor, if any? If not, why not and what action should be taken?

No, I think that professional accountant and external auditor can be same person, the difference is the responsibility and registration for elaborated, discussed some important points about profession or in relation business. I understand that in the business the professional cannot to make decision about organizations, for this is important observed the structure of the entity.

If integrity of management should be required to disclose the suspected illegal act to the entity only external auditor, the competence and expertise of professional accountant in the organization need to be integrated for to know and to make process of inspection and observation of activities, for example internal audit services can be to make this, and I believe that this is the right process.

I suggest that IFAC contact local regulators for this aspect.

12. Do respondents agree that a professional accountant in business should have a right to override confidentiality and disclose certain illegal acts to

an appropriate authority and be expected to exercise this right? If not, why not and what action should be taken?

Yes, I agree that a professional accountant in business should have a right to override confidentiality and disclose certain illegal acts to an appropriate authority.

13. Do respondents agree that the suspected illegal acts to be disclosed referred to in question 12 above should be acts that affect the employing organization's financial reporting, and acts the subject matter of which falls within the expertise of the professional accountant? If not, why not and which suspected illegal acts should be disclosed?

Yes, I agree that the suspected illegal acts to be disclosed referred in question 12 above should be acts that affect the employing organization's financial reporting.

Other

14. Do respondents agree that in exceptional circumstances a professional accountant should not be required, or expected to exercise the right, to disclose certain illegal acts to an appropriate authority? If not, why not and what action should be taken?

Yes, I agree that in exceptional circumstances a professional accountant should not be required, or expected to exercise the right, I understand that the IFAC need to contact the local regulators.

15. If respondents agree that in exceptional circumstances a professional accountant should not be required, or expected to exercise the right, to disclose certain illegal acts to an appropriate authority, are the exceptional circumstances as described in the proposal appropriate? If not, how should the exceptional circumstances be described?

Yes, I agree that in exceptional circumstances a professional accountant should not be required, or expected the right, I suggest that IFAC contact local regulators for to know aspects for this process.

16. Do respondents agree with the documentation requirements? If not, why not and what documentation should be required?

Yes, I agree with the documentation requirements.

17. Do respondents agree with the proposed changes to the existing sections of the Code? If not, why not and what changes should be made?

Yes, I agree with the proposed changes to the existing sections of the Code.

18. Do respondents agree with the impact analysis as presented? Are there any other stakeholders, or other impacts on stakeholders, that should be considered and addressed by the IESBA?

Yes, I agree with impact analysis as presented, but I observed two points, that I don't know if the board agrees, as follows:

- 1- In relation impact of analysis I think that client or employing obligation in relation magnitude of impact I think that high not moderate if considering the questions 4, 5 and 8, I have doubt for attend the point "A professional accountant shall maintain confidentiality unless there is a professional duty or right to disclose confidential information, when not prohibited by law, to comply with technical standards and ethics requirements" in the page 29.
- 2- The other point about Process to be followed by professional accountant when encountering a suspected illegal act - Professional Accountants in Public Practice who are not Auditors I don't know if moderate is adequate, I think that is high because if have some problems in relation the decision who's the responsibility?

Thank you for opportunity for comments this proposal, if you have questions don't hesitate contact to me, rio1042370@terra.com.br.

Yours,

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